



Australia: Food Processing Machinery

Patricia Matt
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Summary

Australia imported US\$145 million of food processing machinery in 2006. The market is highly-competitive. In 2006, Germany and Italy led in supplying specialized equipment, followed by the U.S., the Netherlands, and New Zealand.

The Australian food processing machinery market generally demands high-quality machinery due, in part, to stringent health regulations. One opportunity for U.S. exporters is highly-sophisticated machinery that can overcome food safety risks allied with food manufacturing and meet Australia's health standards. Best prospects for U.S. exporters also include machinery that can improve productivity and efficiency.

According to market researcher *IBISWorld*, the domestic demand for food machinery will grow at an average annualized rate of 2.6 percent through 2012.

Market Demand

According to 2004-05 data from the Australian Bureau of Statistics, the industry's total sales and service income was around A\$70 billion (US\$53 billion). Meat was the largest segment, with a 25 percent share. Next came dairy (14 percent), wine and beer (14 percent), horticulture (7 percent), bakery (6 percent), flour and cereals (5 percent), and other food products (29 percent). *Source: ABARE Australian Food Statistics 2006, dated March 2007.*

The Australian food processing and food machinery sectors are very mature, stable, and intensely-competitive.

In 2006, the estimated market value for food processing machinery in Australia was A\$284 million (US\$215 million). Sixty-seven percent of this equipment was imported. During 2006, Germany was the principal supplier, followed by Italy, the United States, the Netherlands, and New Zealand. Total imports reached A\$192 million (US\$145 million). International suppliers such as Alfa-Laval, Tetrapak, APV, and Westfalia, dominate most market segments, with Australian-based firms targeting niche markets.

Demand for food industry machinery varies, depending on machinery longevity and food manufacturers' ability to finance equipment replacement. Consumer spending on processed and prepared foods also affects demand. *IBISWorld* estimates that the economic life of machinery ranged 15-20 years before reconditioning or replacement. According to *IBISWorld*, the demand for food machinery will grow at an average annualized rate of 2.6 percent through 2012.

Australia's food manufacturing/processing industry is highly regulated, which has a significant impact on the demand for the type and quality of food industry machinery.

This report relates to food machinery used in food production-line processes and includes bakery machinery, meat or poultry preparation machinery, dairy machinery, fruit/nuts/vegetable preparation machinery, confectionery/cocoa machinery, brewery machinery, presses etc. for fruit juice, wine and cider, milking machinery, sugar manufacture machinery, machinery for milling or working cereals and vegetables, miscellaneous machinery for the preparation of food and beverages, and machinery parts.

Market Data

ESTIMATED MARKET FOR FOOD PROCESSING MACHINERY - AUSTRALIA IN U.S. DOLLARS (in 000's)

	<i>2005</i>	<i>2006</i>	<i>2007 (estimated)</i>
Total Market Size	208	215	234
Total Local Production	98	107	116
Total Exports	28	37	40
Total Imports	138	145	158
Imports from the U.S.	26	19	20

Source: Australian Bureau of Statistics/World Trade Atlas and Industry Estimates

Exchange Rate Used:

A\$1 equals U.S. cents 76.6 75.6 83.6

Estimated Future Inflation Rate: 2-3 percent

Principal 2006 Import Market Shares

Germany	16.9 percent
Italy	15.9 percent
U.S.	12.8 percent
The Netherlands	10.6 percent
New Zealand	6.9 percent

Best Prospects

Australia's strict health standards for the food industry create opportunities for U.S. exporters to supply highly-sophisticated machinery that meets these health standards. For example, robotics, mixing systems, homogenizers, meat and poultry equipment, dairy equipment, and hygiene systems.

To improve their productivity and efficiency, Australia's food manufacturers/processors frequently rely on U.S. equipment and technology.

Key Suppliers

Local Production

The top-two food processing operators in Australia are Heat & Control Pty. Ltd. (subsidiary of Heat and Control Inc., California) and Moffatt Group Pty. Ltd. Heat & Control manufactures equipment across the entire food spectrum, while the Moffatt Group provides bakery equipment. There are also several hundred, small-to-medium-sized enterprises vying for market share. Some have successfully developed substantial businesses, manufacturing and supplying equipment for niche segments. Other Australian manufacturers include:

- All Bake Services (bakery equipment)
- Allied Industries (confectionery, bakery)
- Elliott Automation (confectionery, bakery, cereal equipment)
- Food Machinery Australasia Ltd. (vegetable/fruit processing)
- Food Process Engineering (general food processing)
- Food Vintek Australasia Pty. Ltd. (wine presses)
- Freshline Machines Pty. Ltd. (drying and washing systems)

JB Macmahon Pty. Ltd. (olive oil processing, wine presses)
NID Pty. Ltd. (food/confectionery process machinery and starch moulding machinery)
Packo (dairy, breweries, bakery, meat)
Pall Filtration and Separations Pty. Ltd. (microfiltration systems)
Symetec (bakery, meat, poultry, seafood, vegetable, dairy, snack, confectionery)
Saurin Technologies (dehydration, mixing and thermal technologies for the dairy/food industry)
Tripax Engineering (vegetable, cheese, and other specialized machinery)

According to the Food Industry Machinery Manufacturers Association, local food machinery manufacturers are becoming increasingly specialized and have downsized to remain competitive with imports.

Imports

In 2006, Australian Bureau of Statistics' data showed Germany and Italy as the leading suppliers of food-processing equipment to this market.

Dairy machinery, sugar manufacturing machinery, machinery for meat or poultry preparation, and machinery for milling or working cereals and vegetables largely came from Germany. Suppliers include Berief, Eberhardt, Fessmann, F.H. Schule, Guenther, Handtmann, Inotec, Mado, Maja, Maurer-Atmos, and Ruhle. In 2006, imports from Germany totaled A\$32million (US\$24 million).

Italy led in imports of confectionery machinery, pizza equipment, ovens, and machinery for manufacturing macaroni, spaghetti, or similar products. Among the suppliers are FBR-Elpo, Grasselli, La Minerva, LB Italia, Niro Soavi, Ocrim, Omas, and Risco. 2006 imports from Italy totaled A\$31 million (US\$23 million).

The U.S. is highly regarded for technology, performance, and reliability. In 2006, U.S.-origin equipment held a 12.8 percent share of the import market. Imports from the U.S. totaled A\$25 million (US\$19 million) and included bakery machinery, confectionery machinery, meat or poultry preparation machinery, machinery for preparation of fruits, nuts or vegetables, brewery machinery, machinery for milling or working cereals and vegetables, and other machinery. The U.S. is a large supplier of components for a broad range of food processing machinery.

Heat and Control Pty. Ltd. (subsidiary of Heat and Control Inc) imports a broad range of meat, bakery, seafood, snackfood, vegetable, and dairy processing equipment. The firm also represents other U.S. principals:

Alkar (meat and smallgoods processing equipment)
Cantrell (food and nut processing equipment)
Odenberg (vegetable processing equipment)
Reading Bakery Systems (snack and bakery equipment)
Spray Dynamics (flavor dispensing systems)
Stewart Systems (bakery equipment)

Holland's CFS supplies a wide range of meat, fish, poultry, and fruit/vegetable processing machinery. Meyn Food Processing Technology also supplies poultry processing equipment.

Parts for milking and dairy machinery come mostly from New Zealand.

Ireland is the leading supplier of milking machinery to this market and Slovakia for brewery machinery.

Key 2006 imported equipment sources for the food processing industry were:

<i>Equipment</i>	<i>Key Countries of Origin</i>	<i>Total Value from all Countries, US\$</i>
Milking machinery	Ireland, Sweden, China, Turkey, New Zealand	\$349,000
Dairy machinery	Germany, New Zealand, Switzerland, Denmark, Italy, France, United States, the Netherlands, Sweden	\$7 million
Parts for milking and dairy machinery	New Zealand, Sweden, Germany, United States, Iran, Belgium	\$7 million
Presses etc. for fruit juice, wine, and cider	Italy, France, Spain, China, Germany, United States	\$5 million
Bakery machinery and machinery for manufacturing macaroni, spaghetti or similar products	Italy, the Netherlands, Mexico, United States, Taiwan, Germany, China, Denmark, New Zealand, France	\$25 million
Machinery for manufacturing confectionery, cocoa, or chocolate	Italy, Germany, United States, Switzerland, Belgium, New Zealand, Denmark, China	\$15 million
Machinery for sugar manufacture	Germany, Italy, United States	\$271,000
Machinery for the preparation of meat or poultry	Germany, the Netherlands, United States, New Zealand, Italy, Denmark, United Kingdom, China	\$27 million
Machinery for the preparation of fruits, nuts or vegetables	The Netherlands, United States, New Zealand, Italy, United Kingdom, Belgium, Spain, Sweden	\$6 million
Brewery machinery	Slovakia, Canada, United States, China, Denmark	\$2 million
Other food and beverage machinery not elsewhere classified	Italy, Germany, United States, France, Denmark, Japan, the Netherlands, United Kingdom	\$20 million
Parts for other food and beverage machinery not elsewhere classified	United States, Germany, the Netherlands, Italy, France, Denmark, New Zealand	\$20 million
Machinery for milling or working cereals and vegetables	Germany, United States, Belgium, China, Japan, Denmark, Italy	\$3 million
Parts of machinery for milling or working cereals and vegetables	United States, the Netherlands, Germany, United Kingdom, Switzerland, Denmark, China	\$3 million

Source: Australian Bureau of Statistics

Prospective Buyers

There are approximately 4,000 food manufacturers in Australia, with large multinational firms (see below) dominating the industry. These manufacturers cover a number of sectors including:

- Bakery products
- Beverage and malt manufacturing
- Dairy products
- Flour mill and cereal food manufacturing

Fruit and vegetable processing
Meat and meat products
Oil and fat manufacturing
Seafood processing
Sugar and confectionery manufacturing

The industry is concentrated along the eastern coast of Australia, with more than 80 percent located in New South Wales, Victoria, and Queensland.

The top 20 food and beverage manufacturers (by latest sales) as at December 2006 were as follows:

<i>Company</i>	<i>Major Food Product Categories</i>
Nestle Foods	Dairy, cereals, snack bars, ice cream, confectionery, infant food, petfoods
Goodman Fielder	Bread, margarine, yogurt, salad dressings, cooking oils, olive oil, frozen pastry
Coca Cola Amatil	Soft drinks, bottled water, fruit juices
San Miguel	Milk and cream processing, cheese, dairy, fruit juices
Australia Meat Holdings (AMH)	Meat processing
Cadbury	Confectionery, softdrinks, chocolate products
Murray Goulburn	Dairy, food ingredients
Fonterra	Milk, yogurt, ice cream, cheese
Compass Group	Prepared foods for institutions
Effem (Mars)	Confectionery, pet food, herbs and spices
George Weston	Baking, yeast, coatings, smallgoods
Inghams	Poultry
CSR	Sugar
Dairy Farmers	Milk, cheese, yogurt
Ridley Group	Agrifoods, stockfeed, salt
Gardner Smith	Oilseed and vegetable oil processing
Bidvest	Foodservice lines
Sodexho	Institutional meals
Burns Philp	Owned by Rank Group. Partly owns Goodman Fielder
Teys	Beef processing

Source: "Food & Drink" Publication, December 2006

Market Entry

As a direct consequence of the maturity of the Australian food industry machinery market, U.S. corporations looking to enter and take market share would need to aggressively price new equipment, have a significant technological competitive advantage, or establish long-term servicing commitments.

The equipment must conform to Australian specifications of 240 volts, 50 cycles, and have metric measurements.

The Australian market is associated generally with high-quality machinery, due to the stringent health regulations within the food manufacturing industry sector. After-sales service and the requirement for ongoing maintenance are also important factors for successful market penetration of food industry machinery suppliers. The most successful companies in the food industry machinery sector are those with high-quality products and long-standing relationships with their customers.

When purchasing food machinery, key considerations within the Australian market are (in no particular order):

- ☐ Quality
- ☐ Innovation
- ☐ Price
- ☐ Total customer service

Market Issues and Obstacles

The Free Trade Agreement between the U.S. and Australia (AUSFTA) has eliminated the import duty on food processing machinery from the U.S. This puts U.S. imports in a stronger pricing competitive position, as the rate for food processing equipment from other countries is currently five percent. The U.S. dollar's weakness relative to the Australian dollar creates additional interest in U.S. products.

There is a 10 percent Goods and Services Tax (GST) on the sale or provision of most goods and services consumed in Australia. The levy is calculated on the value of the taxable import (VOTI), which is the cost of the product, plus freight and insurance for shipping the product to Australia.

Imports of food machinery are subject to a variety of regulations. When considering the export of food processing equipment to Australia, U.S. companies should contact the following agencies for guidance on standards, quarantine, and other issues.

Standards Australia
Level 10, The Exchange Centre
20 Bridge Street
Sydney NSW 2000
Telephone: (61-2) 9237 6000
Fax: (61-2) 9237 6010
Website: <http://www.standards.org.au/>

This organization provides information on standards with respect to both the machinery used in food processing and processed food in Australia. Standards for these sectors are very complex, with 140 different applicable codes.

Australian Quarantine and Inspection Service (AQIS)
Edmund Barton Building, Broughton Street
Barton, Australian Capital Territory 2600
Telephone: (61-2) 6272 3933
Fax: (61-2) 6272 5753
Website: <http://www.daff.gov.au/aqis>

AQIS establishes the quarantine standards that must be met by import of foods or the machinery used in food-related processing. Australia has one of the world's most stringent quarantine conditions, particularly for used machinery. AQIS has the power to re-export contaminated machinery. The agency issues permits for imported machinery, conditional that machinery arrives in a clean state.

Food Standards Australia New Zealand (FSANZ)
Boeing House
55 Blackall Street
Barton, Australian Capital Territory 2600
Telephone: (61-2) 6271 2222
Fax: (61-2) 6271 2278
Website: <http://www.foodstandards.gov.au/>
FSANZ provides details on the Australia New Zealand Food Standards Code.

Trade Event

Event Name: FOODPRO 2008
Date: July 21-24, 2008
Location: Sydney Convention and Exhibition Centre
Website: <http://www.foodproexh.com/>
Email: peterpetherick@dmgworldmedia.com

Resources and Key Contacts

Food Industry Machinery Manufacturers Association (FIMMA)	http://www.vecci.org.au/professional+services/fimma/
"Food & Drink" Publication	http://www.yaffa.com.au/
"Food" Magazine	http://www.foodmag.com.au/
Standards Australia	http://www.standards.org.au/
Australian Quarantine & Inspection Service	http://www.daff.gov.au/aqis
Food Standards Australia New Zealand	http://www.foodstandards.gov.au/
Department of Agriculture, Fisheries and Forestry	http://www.affa.gov.au/

For More Information

Please contact the U.S. Commercial Service in Sydney, Australia via e-mail at: Patricia.Matt@mail.doc.gov; Phone: (61-2) 9373 9211; Fax: (61-2) 9221 0573 or visit our website: www.buyusa.gov/australia/en

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